GOVERNMENT OF INDIA
STEEL
LOK SABHA

UNSTARRED QUESTION NO:5543
ANSWERED ON:02.05.2002
TURN AROUND PLAN OF VSP
GADDE RAMAMOHAN;M.V.V.S MURTHI

Will the Minister of STEEL be pleased to state:

(a) whether Andhra Pradesh has requested the Union Government for approval of Turn Around Plan of Visakhapatnam Steel Plant;

(b) if so, the details thereof with the suggestions given by the State Government;

(c) the reaction of the Union Government on the suggestions given by the State Government; and

(d) the action taken in this regard?

Answer

MINISTER OF STATE OF THE MINISTRY OF STEEL (SHRI BRAJA KISHORE TRIPATHY)

(a)to(d): In March, 1999 the State Government of Andhra Pradesh sought the following dispensations from the Government of India, for RINL (VSP):

(i) Set-off the accumulated losses

(ii) Approval of capacity expansion

(iii) Provision of Government Guarantee for raising funds, and

(iv) Extension of Government Guarantee for working capital loan.

A detailed proposal containing the above suggestions was under consideration of the Government at that time. However, after examination, it was not found viable. In the meantime, the Disinvestment Commission recommended writing off of the entire accumulated losses of the company as on 31.3.1999 alongwith disinvestment of not less than 51% of its remaining equity to a strategic buyer. A turn around proposal which inter-alia includes the following is under consideration of the Government.

(1) Writing off of accumulated losses

(2) To extend Govt. of India Guarantee for working capital limit of Rs.500 crs andproviding / extending GOI Guarantee in favour of existing lenders till disinvestment takes place.

(3) Subsequent disinvestment of 51% of its shares from the President of India to a strategic partner / buyer.

As efforts towards a consensus between State Government of Andhra Pradesh and Govt. of India is going on, no final decision has been taken in the matter.